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CENTRAL INTELLIGENCE AGENCY
WASHINGTON, D. C.

OFFICE OF THE DEPUTY DIRECTOR (INTELLIGENCE)

20 January 1964

MEMORANDUM FOR: Governor W. Averell Harriman
Under Secretary for Political
Affairs
Department of State

SUBJECT: Recent Trends in Eastern Europe

During our discussion last Thursday, you indicated interest in the current state of affairs in the East European satellites. The attached memorandum speaks directly on this subject, and should be helpful. It was prepared for Mr. McCone's information prior to his current trip and has therefore been given only very limited distribution outside CIA.

CHESTER L. COOPER

Assistant Deputy Director (Intelligence)

DEPARTMENT OF STATE A/SDC/MR (Policy Support)

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CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

15 January 1964

MEMORANDUM FOR THE DIRECTOR

SUBJECT: Recent Trends in Eastern Europe

SUMMARY

In recent years Soviet authority in Eastern Europe has declined, and the Satellite leaders have felt able to behave in a less subservient manner. However, the Soviets retain important levers of power in the area, and Rumania's defiant nationalistic stand has so far not been emulated to the same degree by the other Satellites. Internal stability seems relatively assured in these states for the present except in Czechoslovakia, where a combination of economic reverses and party factionalism has seriously weakened the position of the top leader, Novotny. Most of the other states have also begun to experience chronic economic difficulties, which they would like to alleviate by expanding their economic relations with the West.

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Introduction

1. In an interview last year, Khrushchev observed that some of the East European Communist leaders were behaving like sons who had grown too big to spank -- eventually they would turn on their father and "kick him in the belly." Indeed, the increased obstreperousness of the formerly docile Satellites has become a problem for the Soviets, and at a time when the latter already have their share of problems, especially with respect to their economy and the Chinese. In addition, they have been confronted in the past year with instability in the Czechoslovak regime, caused in part by some severe economic problems which that country is experiencing. This memorandum undertakes to analyze the significance of these developments, and also to discuss recent trends in relations between the Satellites and Western Europe.

The Decline of Soviet Authority

2. Since Stalin's death the Soviets have been led to establish a new relationship with Eastern Europe, based less on direct coercion and exploitation and more on voluntary cooperation. Khrushchev has encouraged the Satellite leaders to be less slavish in aping Soviet practice and to shape their domestic programs more

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in accordance with local problems. In Poland, for example, Khrushchev has publicly sanctioned Gomulka's rejection of collectivized agriculture. With Soviet encouragement, Hungary's Kadar, adopting the novel slogan, "Who is not against us is for us," has also employed methods in his internal program which differ importantly from those practiced by the USSR and the other Satellites.

3. Tendencies among the Satellite leaders toward more autonomous behavior have also been stimulated by Khrushchev's repeated attempts to improve relations with Yugoslavia, particularly by his acknowledgment of Yugoslavia's independent status, and his recognition that Tito has followed a legitimate course in adopting a domestic program radically different in method from that of the USSR.

4. Challenges to Soviet power and authority in the international Communist movement have also had their effect in Eastern Europe. In its virtually open dispute with the USSR over a period of years, China has gained supporters among the world Communist parties. Moreover, right in their East European backyard, the Soviets showed themselves powerless to prevent little Albania from defiantly siding with China. Though none of the other East European Communist leaders share Albania's sympathies with China, they have become aware that the decline of Soviet authority provides them with an opportunity, if

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they desire to exercise it, to behave more independently. They also realize that the need of the Soviets for support against China enhances their bargaining power.

5. This new situation in the Communist Bloc was exploited brazenly in the past year by the Rumanian leaders, who refused to alter their program for broad industrialization according to Moscow's wishes, and even hinted that if the Soviets didn't let them do as they liked with their economy, Rumania might back China in the ideological dispute. In response to this defiance, the Soviets first tried political pressure, and then simply gave in. At the cost of a considerable setback to Bloc plans for integrating the Soviet and Satellite economies, the Soviets publicly sanctioned Rumania's nationally oriented economic program and dropped their own proposal for a joint planning staff in the CEMA organization.

6. The Rumanians have turned increasingly to the West to obtain equipment for industrialization, partly in response to the absence of Soviet support for the large Galati steel combine, and mainly to take advantage of the higher level of Western technology. Moreover, they have continued to display an independent tendency in foreign policy, giving the Soviets only qualified support against the Chinese, and at times even refusing openly to follow the Soviet

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lead in the UN. In both foreign and domestic policy Rumania's orientation is becoming increasingly nationalistic, often manifested in an anti-Soviet manner. For example, compulsory Russian language training has been discontinued in Rumanian schools.

7. Similar forces are present in the other Satellites, though still latent. Most of the Satellites have shown a new tendency to act more on their own initiative in foreign policy and to rely less on the line provided by Moscow. Gomulka, for example, occasionally takes a position in regard to the Sino-Soviet dispute which is a far cry from the unquestioned support which Moscow would like to have. On matters of major importance, the Satellites are content for the moment to follow Moscow's lead, though it now seems likely that, following the Rumanian precedent, they would act independently if important interests of theirs came into conflict with Soviet policy.

8. There are, however, important limitations to independent behavior by these countries. The Soviets still have important levers of power in Eastern Europe. Soviet military power is still dominant in the area, and the defense of the Satellites themselves is dependent on military ties established through the Warsaw Pact. The Satellite economies continue to be closely linked

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with that of the USSR. Cooperation and specialization under CEMA is favored in one respect or another by all the Satellites. By virtue of its policy toward Germany and the NATO powers, the Soviets retain a strong military force in East Germany, which experience has shown they will use if necessary to support the local Communist leaders in maintaining order. Moreover, both Poland and Czechoslovakia must rely on Moscow to keep Germany divided. In Czechoslovakia and Bulgaria, the Communist leaders both depend heavily on Moscow's support for the retention of their positions against competing factions.

Economic Problems

9. A number of the Satellites have been encountering economic problems even more severe than those in the Soviet Union. Agricultural production has stagnated for several years throughout the area, preventing any significant improvement in living conditions. Industrial growth has slowed considerably in the more developed Satellites. Although the poor results in agriculture have forced some diversion of imports from industrial purposes to food, the main reason for the decline in the rate of industrial growth is more fundamental. Several Satellites have reached a stage of their development at which, having used up excess plant

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capacity and labor reserves, further significant advances are more difficult to plan and execute. In these circumstances the inefficiency of the Soviet-type system of economic management has become more manifest.

10. These problems are most severe in Czechoslovakia where unrealistic economic plans had been pursued for too long and the regime has been unable to formulate a coherent policy. Czechoslovak industrial production, which had increased at an annual rate of 10 percent in the late 1950's, did not grow at all in 1963. Little increase is planned in 1964. East Germany also had to scrap its unrealistic long-term plan and accept a greatly reduced rate of growth. The Ulbricht regime has made some slight progress in the past year in alleviating food supply problems, but the chronic popular dissatisfaction with the regime and with the division of the country remains. The recent opening of the Berlin Wall has further stimulated discontent. The strength of the Ulbricht regime continues to be precarious, based essentially on the continuing presence of large Soviet forces.

Instability in Czechoslovakia

11. Czechoslovakia's Novotny lacks even this cold comfort. Bad planning, the general lack of strong or effective guidance,

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and the consequent glaring economic failures have damaged the morale of managers and party members and have led to severe criticism of the Novotny regime. This criticism has been especially severe in Slovakia, which has been more affected by the economic slowdown and the regime's clumsy attempts to improve the situation.

12. Novotny's position has been affected simultaneously by his inept handling of another question -- correction of the abuses of the Stalin era, especially those inflicted on the Slovaks. Novotny's own heavy involvement in these abuses made him reluctant to do more than make gestures in the direction of de-Stalinization until the end of 1962. Since that time, under strong pressure from middle-echelon party activists, especially those in the Slovak party, Novotny has been forced one by one to dismiss his close associates in the leadership and to alter his policies in a more liberal direction. In September he finally had to dismiss his closest associate, Premier Siroky, and replace him with Josef Lenart, a more popular and younger Slovak who was untainted by Stalinist crimes. At the same time Novotny admitted many younger, more liberally inclined men and a number of Slovaks into his administration. All this took place at a time when a lively ferment

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was taking place in intellectual circles. In this debate many of the issues were raised which had been questioned and criticised in Poland and Hungary in 1955-1956.

13. This combination of events -- the intellectual ferment, the revival of Slovak nationalism, and the demands from middle and lower echelons of the party that the Novotny leadership improve its handling of the economy and redress the political wrongs of the Stalin period produced a situation of marked instability in the Czechoslovak leadership toward the end of 1963. The Soviets involved themselves in this in December and apparently decided to try to keep Novotny in power, at least for the time being. As a result, Novotny is still the party leader, but apparently only on probation; his position remains insecure and his basic problems unresolved. The Soviets may be forced eventually to acquiesce in his replacement by someone who would symbolize a complete change from the Stalinist past. This maneuver might seriously endanger the stability of the regime.

Stability Elsewhere

14. Contrary to the situation in 1956, when comparable problems existed in a number of East European countries, the conditions which have led to the instability in Czechoslovakia are not present in the

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other Satellites to the same degree. Economic problems and popular discontent exist in East Germany and Poland, but none of the other Satellites is currently experiencing intraparty factionalism comparable in intensity to that of Czechoslovakia. There is some of this in Poland and Bulgaria, but the political leaderships appear fairly stable. Moreover, the factor of Slovak nationalism in ethnically and historically divided Czechoslovakia is unique in Eastern Europe.

Relations with the West

15. To one degree or another, all the Satellites share a disposition, based on economic need, to improve relations with the West. West Germany has already taken advantage of this tendency by signing agreements with Poland, Hungary, and Rumania which provide for reciprocal resident trade missions with semi-diplomatic status. Negotiations are expected for similar agreements with Czechoslovakia and Bulgaria.* These pacts reflect a new, more active West German policy which apparently seeks to re-establish historic German economic pre-eminence in Eastern Europe. The West Germans, however, are by no

* In these pacts the Satellites have surprisingly agreed to include West Berlin in the "Deutsche Mark area," an arrangement which conflicts with previous Bloc policy denying any Federal Republic connection with West Berlin, and has antagonized the East Germans.

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means the only ones active in the area. Both the British and the French Governments have long been active in extending support to industrial development in Poland, Czechoslovakia, and Rumania, and within the past year have raised the level of their diplomatic representation in Rumania, Bulgaria, and Hungary.

16. All of the Satellites in the past year have indicated a desire to obtain Western credits for industrial equipment. Rumania, because it has tried harder in recent years and has exports that are readily marketable in Western Europe, has been by far the most successful. But the other Satellites also are increasingly attracted by Western technology, and probably will try to expand their trade with the industrialized West whether or not they receive substantial credits. This interest will almost certainly increase.

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Chairman

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